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**VIA ECFS AND IBFS**

August 28, 2017

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: **Notice of Ex Parte and Ex Parte Submission<sup>1</sup> – WC Docket No. 17-126; ITC-T/C-20170511-00094; ITC-T/C-20170511-00095 – Securus Investment Holdings, LLC; Securus Technologies, Inc.; T-NETIX, Inc.; and T-NETIX Telecommunications Services, Inc.**

Dear Ms. Dortch:

On August, 24, 2017, the undersigned counsel for Securus Investment Holdings, LLC, Securus Technologies, Inc., T-NETIX, Inc., and T-NETIX Telecommunications Services, Inc. (collectively “STP”) in connection with the pending request for approval of the indirect transfer of control of STP’s domestic and international Section 214 authority<sup>2</sup> through a parent-level transaction (“Transaction”), telephonically advised Madeleine Findley, Deputy Chief, Wireline Competition Bureau, that the California Public Utilities Commission

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<sup>1</sup> Undersigned counsel submit this Notice of Ex Parte pursuant to Section 1.1206(b) of the Commission’s rules. 47 C.F.R. § 1.1206(b).

<sup>2</sup> *Joint Application of Securus Investment Holdings, LLC, Transferor, Securus Technologies, Inc., Licensee T-NETIX, Inc., Licensee T-NETIX Telecommunications Services, Inc., Licensee, and SCRS Acquisition Corporation For Grant of Authority Pursuant to Section 214 of the Communications Act of 1934, as amended, and Sections 63.04 of the Commission’s Rules to Transfer Indirect Ownership and Control of Licensees to SCRS Acquisition Corporation*, WC Docket 17-126 (filed May 11, 2017), ITC-T/C-20170511-00094, ITC-T/C-20170511-00095 (filed May 11, 2017).

(“CPUC”) had that day approved STP’s then pending application for indirect transfer of control to SCRS Acquisition Corporation.

A copy of the CPUC order reflecting that approval is enclosed.

Respectfully submitted,



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*Counsel for Securus Investment Holdings, LLC; Securus Technologies, Inc.; T-NETIX, Inc.; and T-NETIX Telecommunications Services, Inc.*

cc: Chairman Ajit Pai  
Commissioner Mignon Clyburn  
Commissioner Michael O’Rielly  
Commissioner Jessica Rosenworcel  
Commissioner Brendan Carr  
Kris Monteith, Chief, Wireline Competition Bureau  
Tom Sullivan, Chief, International Bureau  
Jay Schwarz, Office of Chairman Pai  
Kristine Fargotstein, Office of Chairman Pai  
Jim Bird, Office of General Counsel  
Madeleine Findley, Wireline Competition Bureau  
Daniel Kahn, Wireline Competition Bureau  
Jodie May, Wireline Competition Bureau  
Sherwin Siy, Wireline Competition Bureau  
Dennis Johnson, Wireline Competition Bureau  
Tracey Wilson, Wireline Competition Bureau  
David Krech, International Bureau  
Sumita Mukhoty, International Bureau  
Lee G. Petro, Counsel for Petitioners  
William B. Wilhelm, Counsel for Transferee.

Decision 17-08-029 August 24, 2017

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Joint Application of SCRS ACQUISITION CORPORATION, SECURUS INVESTMENT HOLDINGS, LLC, and SECURUS TECHNOLOGIES, INC. (U6888C) for Approval to Transfer Indirect Control of Securus Technologies, Inc.

Application 17-05-011

**DECISION AUTHORIZING TRANSFER OF INDIRECT CONTROL OF SECURUS TECHNOLOGIES, INC. TO SCRS ACQUISITION CORPORATION**

**Summary**

This decision grants the unopposed joint application of SCRS Acquisition Corporation (SCRS), Securus Investment Holdings, LLC (SIH), and Securus Technologies, Inc. (STI) (U6888C), (together the "Applicants") for authorization, pursuant to Public Utilities Code Section 854,<sup>1</sup> to transfer indirect control of STI to SCRS.

This proceeding is closed.

**1. Parties to the Transaction**

Securus Technologies, Inc. (STI) is a Delaware corporation.<sup>2</sup> STI holds a certificate of public convenience and necessity (CPCN) to operate as a nondominant interexchange carrier.<sup>3</sup>

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<sup>1</sup> All Code references are to the Public Utilities Code, unless otherwise stated.

<sup>2</sup> See Application at 2 and 5. STI's business address is 4000 International Parkway, 6<sup>th</sup> Floor, Carrollton, TX 75007.

Securus Investment Holdings, LLC (SIH) is a limited liability company organized under the laws of Delaware.<sup>4</sup> It presently holds 100% of the stock of Connect Acquisition Corp. (Connect),<sup>5</sup>

SCRS Acquisition Corporation (SCRS) is a holding company created for the purposes of this transaction. It is wholly owned by SCRS Holding Corporation, a Delaware corporation.<sup>6</sup>

## **2. Proposed Transaction**

Under the (SCRS, SIH, and STI's (Applicants) proposed transaction, SCRS will acquire 100% of the stock of Connect, which will result in SCRS having indirect control of STI.<sup>7</sup> Applicants represent that with SCRS's acquisition of indirect control of STI, there will be no modifications to STI's existing price lists or customer contracts. STI will continue under the same management, and

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<sup>3</sup> See Decision (D.) 04-05-049, in which the Commission authorized STI, then operating under the name, Evercom Systems, Inc., to provide resold *interLATA* and *intraLATA* services in California. According to its application, STI notified the Commission of its name change by advice letter filed on September 21, 2010.

<sup>4</sup> See Application at 2 and 5. SIH's business address is c/o ABRY Partners, 111 Huntington Street, 29<sup>th</sup> Floor, Boston, MA 02199.

<sup>5</sup> See D.11-12-041, in which the Commission authorized transfer of control of STI to Castle Harlan Partners V, L.P. (Castle) in 2011. Through the 2011 transaction, Connect (94% owned by Castle), acquired 100% of the stock of Securus Holdings Inc., which has indirect control over STI.

<sup>6</sup> See Application at 2 and 5. SCRS Holding Corporation will receive private equity investments sponsored by Platinum Equity, LLC in connection with the transaction. SCRS's business address is c/o Platinum Equity, 360 North Crescent Drive, South Building, Beverly Hills, California 90210.

<sup>7</sup> Exhibit D to the Application includes charts of the existing corporate structure of the Joint Applicants as well as the intended post-transaction corporate structure.

customers will continue to receive the same rates, terms and conditions that currently apply.<sup>8</sup>

Applicants further represent that the reason for entering into the transaction is to give STI access to additional financial resources to enable it to better meet the needs of their customers and better compete in the telecommunications marketplace.<sup>9</sup>

### **3. Discussion**

The Applicants request Commission authorization pursuant to § 854 for the transfer of indirect control of STI to SCRS. Section 854 states, in relevant part, as follows:

No person or corporation...shall merge, acquire, or control either directly or indirectly any public utility organized and doing business in this state without first securing authorization to do so from the commission...Any merger, acquisition, or control without that prior authorization shall be void and of no effect.

Section 854 requires that the Commission review a proposed transaction, before it takes place, in order to assure that it is in the public interest. The Commission has broad discretion under § 854 to approve or reject a proposed transaction. If necessary and appropriate, the Commission may attach conditions to a transaction in order to protect and promote the public interest.<sup>10</sup>

When a company that does not possess a CPCN desires to acquire control of a company or companies that do possess a CPCN, the Commission will apply

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<sup>8</sup> Application at 11.

<sup>9</sup> *Id.*

<sup>10</sup> D.01-06-007, 2001 Cal. PUC LEXIS 390, \*24.

the same requirements to the acquiring company as would be applied to an initial applicant seeking the type of CPCN held by the company being acquired.

#### **4. Financial Qualifications**

An applicant who desires to operate as a provider of resold interexchange services must demonstrate that it has a minimum of \$25,000 in cash or cash equivalent for operations of the company, plus the costs of deposits to be paid to other carriers. In confidential exhibits to the application,<sup>11</sup> Applicants have provided financial documents which demonstrate that SCRS meets the Commission's financial requirements for the issuance of a CPCN authorizing the provision of resold interexchange services.

If, as promised, the transaction will provide STI with additional financial resources, it will become a stronger competitor in California's telecommunications marketplace. The transaction will be transparent to customers, and will not harm the public. In addition, the application is unopposed.

#### **5. Technical Qualifications**

An applicant is required to make a reasonable showing of technical expertise in telecommunications or a related business. Exhibit H to the Application contains biographies of the key management personnel of both STI<sup>12</sup>

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<sup>11</sup> Joint Applicants filed Exhibit E - Stock Purchase Agreement by and among Securus Investment Holdings, LLC, Connect Acquisition Corp. and SCRS Acquisition Corporation; Exhibit F - Financial Information for Transferee SCRS and Exhibit G - Audited Consolidated Financial Report of Securus Technologies Holdings, Inc. and Subsidiaries under seal.

<sup>12</sup> Richard Smith, Chief Executive Officer and Board Chairman of STI, and Robert Pickens, President of STI together have decades of experience in telecommunications. Dennis Reinhold, Vice President, General Counsel and Secretary of STI, has legal and technology related patent and acquisition experience.

and SCRS' parent entity.<sup>13</sup> The biographies reflect experience in accounting, legal matters and merger and acquisitions work. STI will continue to be managed and operated by the same officers and personnel after the acquisition. Therefore, applicants have met the Commission's requirement for a showing of technical expertise in telecommunications.

**6. Disclosures Under § 17000 et seq. of the California Business and Professions Code**

The Joint Applicants filed verifications, under penalty of perjury, from SCRS, SIH and STI<sup>14</sup> that no affiliate, officer, director, partner, or owner of more than ten percent, or any person acting in that capacity, has filed for bankruptcy or been sanctioned by any state regulatory commission for failure to comply with any regulatory statute, rule or order; and that no such person has been found criminally or civilly liable for a violation of § 17000 *et seq.* of the California Business and Professions Code or for any actions that involved misrepresentations to consumers, or is currently under investigation for similar violations.<sup>15</sup> Thus, applicants satisfy the Commission's requirements for regulatory disclosures.

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<sup>13</sup> Mary Ann Sigler is President, Treasurer and Chief Compliance Officer of Platinum Equity. Ms. Sigler's background is in accounting and taxation. She has extensive experience managing high profile acquisitions and disposition for corporate clients. Eva M. Kalawski is Vice President and Secretary of Platinum Equity. She has legal and human resources background.

<sup>14</sup> Eva M. Kalawski, Vice President and Secretary of SCRS, signed on behalf of SCRS. Dennis J. Reinhold, Vice President, General Counsel and Secretary of SIH, signed on behalf of SIH, STI and Connect.

<sup>15</sup> See Application at 9, section 10.

**7. California Environmental Quality Act (CEQA)**

CEQA requires the Commission as the designated lead agency, to assess the potential environmental impact of a project in order that adverse effects are avoided, alternatives are investigated, and environmental quality is restored or enhanced to the fullest extent possible.

This application proposes no new construction. Accordingly, there is no possibility that the transaction described herein may have any significant impact on the environment.

We therefore find that the transaction is not adverse to the public interest and grant the application pursuant to § 854.

**8. Categorization and Need for Hearings**

In Resolution ALJ 176-3398, dated May 25, 2017, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. No protests have been received. Therefore, although the preliminary determination was that there would be need for hearing, we agree with the conclusion of the assigned Commissioner that there are no contested issues of material fact which require a need for hearing.<sup>16</sup> Accordingly, we revise our preliminary determination to find that hearings are not necessary.

**9. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code

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<sup>16</sup> See Section 6 of July 31, 2017 Scoping Memo and Ruling of Assigned Commissioner Liane M. Randolph.

and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

**10. Motion for Protective Order**

Pursuant to Pub. Util. Code § 583 and General Order 66-C, the Joint Applicants request that the financial information in Exhibits E, F and G submitted with the application be kept under seal. The financial information, comprised of audited consolidated financial statements of Securus Technologies Holdings, Inc., a stock purchase agreement by and among SIH, Connect. and SCRS, and other financial information is proprietary and sensitive. We have granted similar requests in the past and will do so here. The financial information will be kept under seal for a period of two years after the effective date of this order.

**11. Assignment of Proceeding**

Liane M. Randolph is the assigned Commissioner and Patricia Miles is the assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. STI, a Delaware corporation, holds a CPCN to operate as a nondominant interexchange telecommunications carrier in California.
2. SCRS is a holding company, wholly owned by SCRS Holding Corporation, which has been created to receive private equity investments sponsored by Platinum Equity, LLC in connection with the acquisition transaction.
3. Connect is a company owned by Castle, which the Commission in 2011 authorized to acquire 100% of the stock of Securus Holding Inc. Securus Holdings Inc. has indirect control over STI.
4. Under the proposed transaction, SCRS will acquire 100% of the stock of Connect, which will result in SCRS having indirect control of STI.

5. SCRS does not hold a CPCN authorizing the company to provide telecommunications services in California.
6. After the acquisition, STI will retain its CPCN, will continue to operate under the same management, and will provide the same range of services, terms and rates that it presently offers.
7. The Joint Applicants have filed financial documents under seal which show that SCRS meets the Commission's financial requirements for issuance of a CPCN authorizing the provision of resold interexchange service.
8. SCRS and STI have demonstrated sufficient technical expertise in telecommunications to meet Commission requirements for approval of this transaction, because STI will retain its present day-to-day management.
9. The proposed transaction is intended to give STI access to additional financial resources to enable it to better meet the needs of their customers and better compete in the telecommunications marketplace.
10. Pursuant to Rule 11.4, Applicants have filed a motion for leave to file confidential materials contained in Exhibits E, F and G to the application, under seal.
11. Notice of this application appeared on the Commission's Daily Calendar on May 18, 2017.
12. There are no protests to this Application.
13. No hearing is necessary.

### **Conclusions of Law**

1. Under Section 854, the Commission must approve any transfer of control of a regulated utility in order to ensure that the transfer is in the public interest and is not adverse to the interests of customers.

2. The Commission will apply the same requirements to a request for approval of an agreement for the transfer of control of a provider of telecommunications services within California as it does to an initial applicant for authority to provide such services.

3. STI will retain its current day-to-day management after the acquisition by SCRS and will therefore have sufficient technical expertise in telecommunications to meet Commission requirements for approval of this transaction.

4. The Joint Applicants have met the Commission's requirements for approval of a transfer of control.

5. This transaction is not adverse to the public interest.

6. Applicants' motion to file their Exhibits E, F and G to the application under seal is granted for two years.

7. Since this matter is uncontested, this decision should be effective on the date it is signed.

## **O R D E R**

**IT IS ORDERED** that:

1. The joint application of SCRS Acquisition Corporation, Securus Investment Holdings, LLC, and Securus Technologies, Inc. (U6888C) for authorization, pursuant to Public Utilities Code Section 854, to transfer indirect control of Securus Technologies, Inc. to SCRS Acquisition Corporation, is approved.

2. Securus Technologies, Inc. must maintain its performance bond of at least \$25,000 in accordance with Decision 13-05-035. The performance bond must be a continuous bond (i.e., there is no termination date on the bond) issued by a corporate surety company authorized to transact surety business in California,

and the Commission must be listed as the obligee on the bond. Securus Technologies, Inc. must submit a Tier-1 advice letter annually, but not later than March 31.

3. Securus Technologies, Inc. must not allow its performance bond to lapse during any period of its operation. Pursuant to D.13-05-035, the Commission may revoke a CPCN if a carrier is more than 120 days late in providing the Director of the Communications Division a copy of its executed performance bond and the carrier has not been granted an extension of time by the Communications Division.

4. Within five days of the closing of the transaction, the surviving entities shall notify the Commission's Communications Division, by letter, of the consummation of the transaction.

5. The joint motion of SCRS Acquisition Corporation, Securus Investment Holdings, LLC, and Securus Technologies, Inc. (U6888C) to file Exhibits E, F and G to the application under seal is granted. The information will remain under seal for a period of two years after the date of issuance of this order. During this two-year period, this information may not be viewed by any person outside of the Commission, except as agreed to in writing by the parties or their successors in interest, or as ordered by a court of competent jurisdiction. If SCRS Acquisition Corporation, Securus Investment Holdings, LLC, or Securus Technologies, Inc. (U6888C) or their successors in interest, believe that it is necessary for this information to remain under seal for longer than two years, they or their successors in interest may file a new motion at least 30 days before the expiration of this limited protective order.

6. Application 17-05-011 is closed.
7. This order is effective today.

Dated August 24, 2017, at San Francisco, California.

MICHAEL PICKER  
President  
CARLA J. PETERMAN  
LIANE M. RANDOLPH  
MARTHA GUZMAN ACEVES  
CLIFFORD RECHTSCHAFFEN  
Commissioners